

## Message Text

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ACTION NEA-10

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TO SECSTATE WASHDC 3740  
AMEMBASSY ABU DHABI  
AMEMBASSY DOHA  
AMEMBASSY KUWAIT  
AMEMBASSY JIDDA

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E.O. 11652: N/A  
TAGS: EAID, EFIN, EG  
SUBJECT: ASSILTANCE TO EGYPT: KAISOUNI ON \$1.5 BILLION GODE LOAN

REF: (A) CAIRO 5105, (B) CAIRO 5264

1. APRIL 8 AL AHRAM PUBLISHED INTERVIEW BETWEEN ITS ECONOMIC EDITOR, IBRAHIM NAFAH, AND DEPRIMIN KAISOUNI. INTERVIEW CONCERNED CIRCUMSTANCES SURROUNDING 1500 MILLION DOLLAR GODE LOAN TO EGYPT AND ITS IMPACT ON EGYPT'S FINANCIAL AND ECONOMIC SITUATION. UNOFFICIAL TRANSLATION MORE INTERESTING PARTS OF INTERVIEW FOLLOW.

2. BEGIN TRANSLATION: ACCORDING NAFAH, 1.5 BILLION DOLLAR ARAB LOANS GRANTED EGYPT FIRST CONCEIVED FOLLOWING JANUARY 18 AND 19 INCIDENTS WHEN SAUDI FORMIN FAISAL AND FINMIN AL KHAIL VISITED CAIRO FOLLOWED BY SAHIKH KHELIFA, QATER MINFIN, AND SHEIKH SABAH AL AHMAD, KUWAITI FONMIN, WHO OFFERED THEIR COUNTRIES' AID TOWARDS RELIEF EGYPT'S ECONOMIC HARDSHIP.

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3. DURING VISITORS' MEETING WITH PRESIDENT SADAT, THEY WERE BRIEFED ON DIMENSIONS EGYPT'S POLITICAL AND ECONOMIC CONDITIONS. PRESIDENT DIRECTED DR. KAISOUNI TO PLACE ALL RELEVANT FIGURES AT GUESTS' DISPOSAL. PRINCE SAUD, ON OWN INITIATIVE, LATER MADE A TOUR OF ARAB STATES PARTICIPATING IN GODE. TOUR LED TO MEETING OF FOREIGN MINISTERS AND

LATER A SECOND MEETING OF FINANCE MINISTERS. IMPORTANT DECISIONS WERE MADE AT BOTH MEETINGS.

4. DR. KAISSOUNI, HEADING OFFICIAL DELEGATION, LEFT CAIRO FOR RIYADH TO DISCUSS RESULTS AND HIS FIRST MEETING WITH SAUDI FINANCE MINISTER ABA EL KHAIL MARKED BY HOT BUT BROTHERLY DISCUSSIONS. DR. KAISSOUNI LATER MET WITH SAUDI CROWN PRINCE FAHD WHO EXPLAINED ATTITUDE OF ARAB OIL PRODUCING STATES TOWARDS EGYPT. HE EMPHASIZED THAT ANY HARM TO EGYPT WILL REFLECT ON ALL ARABS AND THAT EGYPT'S STRENGTH IS STRENGTH OF ALL ARAB COUNTRIES WITHOUT EXCEPTION. FAHD THEN ANNOUNCED GODE AGREEMENT TO PROVIDE 1500 BILLION DOLLARS IN 1977 TO HELP OVERCOME EGYPT'S ECONOMIC ILLS. HE POINTED OUT THAT FUNDS ARE ARAB AND ARE GIVEN TO AN ARAB SISTER STATE AND THAT SUCH CONDITIONS AS HAVE BEEN SET BY THE GULF AUTHORITY WERE MERE FORMALITY AND SHOULD NOT BE CONSTRUED AS OUTSIDE INTERFERENCE. DR. KAISSOUNI RETURNED TO EGYPT FOR HIS REPORT TO PRESIDENT ANWAR EL SADAT AND LATER RESUMED HIS TOUR OF GULF AREA TO CONVEY EGYPT'S THANKS.

5. IN COURSE OF INTERVIEW, DR. KAISSOUNI RECALLED THAT PRIOR TO \$1.5 BILLION ARAB LOAN, THE ECONOMIC GROUP (MEMBERS OF THE EGYPTIAN CABINET IN CHARGE OF ECONOMIC AFFAIRS) HAD BEFORE THEM FOUR KINDS OF OUTSTANDING LOANS:  
-834 MILLION POUNDS APPROX TO COVER BANK CREDITS WITH INTEREST RATES FROM 15 TO 18 PERCENT WITH A SETTLEMENT PERIOD OF SIX MONTHS.  
- 995 MILLION POUNDS REQUIRED TO SETTLE VALUE OF ARAB DEPOSITS IN CENTRAL BANK OF EGYPT. FOREMOST AMONG THOSE DEPOSITS WHICH HAD ALREADY FALLEN DUE WERE 408 MILLION POUNDS PAYABLE TO SAUDI LIMITED OFFICIAL USE

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ARABIA AND 389 MILLION TO KUWAIT.  
-1345 MILLION POUNDS REPRESENTING LOANS FROM IBRD, IMF, AND THE ARAB DEVELOPMENT FUNDS AS WELL AS LOANS FROM THE UNITED STATES, WEST GERMANY, JAPAN, BRITAIN, FRANCE AND IRAN, AND ABOUT LE 1650 IN CIVILIAN AND MILITARY LOANS FROM EASTERN STATES.

6. DR. KAISSOUNI SAID 1.5 BILLION DOLLAR ARAB LOAN HAD COVERED FIRST AND SECOND TYPES OF LOANS AND WOULD SAVE EGYPT DIFFERENCE BETWEEN 15 AND 18 PERCENT INTEREST PAYABLE TO BANKS AND APPROXIMATELY 5 PERCENT INTEREST FOR GODE LOAN. IN ADDITION, ARAB CREDITORS WILL ALLOW THREE-YEAR GRACE PERIOD. GODE LOAN, THEREFORE, WILL RELIEVE CONTINUOUS AND DIRECT PRESSURE FROM SHORT-TERM DEBTS ON EGYPTIAN ECONOMY AND PARENTHETICALLY ON NERVES OF AUTHORS OF COUNTRY'S ECONOMIC AND FINANCIAL POLICIES. "AS FOR PUBLIC COMMITMENTS OR LOANS, THEY ARE BY NATURE LONG-TERM CREDITS REPAYABLE OVER PERIODS RANGING FROM 15 TO 40 YEARS AND CONSTITUTE NO DIRECT BURDEN OR PRESSURE ON EGYPT'S RESOURCES. AS REGARDS MILITARY COMMITMENTS, WE HAVE NOT AS YET REACHED AN AGREEMENT ON THEIR REPAYMENT AND ARE THEREFORE

ENDEAVORING TO FIND A SOLUTION TO SHC LOANS IN GENERAL."

7. DR. KAISOUNI ALSO EXPRESSED BELIEF THAT EGYPT'S ECONOMIC PROBLEM IS ON WAY TO SOLUTION BUT REMARKED THAT PROGRESS IS CONTINGENT ON THE SERIOUSNESS WITH WHICH EGYPT PURSUES RELEVANT POLICIES. "THE FUNDS MADE AVAILABLE, WHETHER THEY BE THE 1.5 BILLION DOLLARS WORTH OF ARAB FUNDS, THE 1000 MILLION DOLLARS FROM THE UNITED STATES, THE DEFERMENT OF (REPAYMENT ON) DEPOSITS, THE GERMAN GRANT OR THE LOANS FROM THE DEVELOPMENT FUNDS ARE ALL AID TO THE EGYPTIAN ECONOMY."

"IN OTHER WORDS THOSE RESOURCES SHOULD BE APPLIED TO THE CONSOLIDATION AND DEVELOPMENT OF THE COUNTRY'S PRODUCTIVE CAPACITY AND NOT TO THE IMPORT OF CONSUMER GOODS OR TO SUBSIDIZING THE PRICES OF LUXURIES." END TRANSLATION.

8. COMMENT: MOST DEBT FIGURES QUOTED IN INTERVIEW APPEAR TO BE APPROXIMATELY CORRECT. HOWEVER, KAISOUNI FAILED LIMITED OFFICIAL USE

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TO MENTION MASSIVE BOP SHORTFALL ALSO FACING EGYPT IN 1977. BOP WILL CONTINUE TO BE A MAJOR HEADACHE FOR GOE EVEN IF IT MANAGES TO COPE WITH SHORT-TERM DEBT PROBLEMS. NEVERTHELESS, CALM, STRAIGHTFORWARD ANALYSIS EGYPT'S PROBLEMS IN INTERVIEW PROBABLY REFLECTS KAISOUNI'S RELATIVELY SUCCESSFUL AND PRAGMATIC APPROACH TO GOE LEADERS. REST OF GOE WILL HAVE TO ADOPT KAISOUNI'S ATTITUDE AND DETERMINATION TO OVERCOME OBSTACLES IF EGYPT IS TO WORK ITS WAY OUT OF THE WOODS. MATTHEWS

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